

ABILENE FREE PUBLIC LIBRARY

**FINANCIAL STATEMENT
WITH INDEPENDENT AUDITORS' REPORT**

FOR THE YEAR ENDED DECEMBER 31, 2015

ABILENE FREE PUBLIC LIBRARY

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INDEPENDENT AUDITORS' REPORT

Board of Trustees
Abilene Free Public Library
Abilene, Kansas

We have audited the accompanying fund summary statement of receipts, expenditures, and unencumbered cash of the Abilene Free Public Library (Library), a municipality, as of and for the year ended December 31, 2015 and the related notes to the financial statement, which collectively comprise the Library's basic financial statement.

Management's Responsibility for the Financial Statement

Management is responsible for the preparation and fair presentation of this financial statement in accordance with the *Kansas Municipal Audit and Accounting Guide* as described in Note 1 to meet the financial reporting requirements of the State of Kansas; this includes determining that the regulatory basis of accounting is an acceptable basis for the preparation of the financial statement in the circumstances. Management is also responsible for the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of a financial statement that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial statement based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, and the *Kansas Municipal Audit and Accounting Guide*. Those standards and guidance require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statement. The procedures selected depend on auditor's judgment, including the assessment of the risks of material misstatement of the financial statement, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statement in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statement.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles

As described more fully in Note 1 of the financial statement, the financial statement is prepared by the Library to meet the requirements of the State of Kansas on the basis of the financial reporting provisions of the *Kansas Municipal Audit and Accounting Guide*, which is a basis of accounting other than accounting principles generally accepted in the United States of America.

MEMBERS:
American Institute of
Certified Public Accountants

Kansas Society of Certified
Public Accountants



The effects on the financial statement of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statement referred to above does not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Library, as of December 31, 2015, or the changes in its financial position and cash flows thereof for the year then ended.

Opinion on Regulatory Basis of Accounting

In our opinion, the financial statement referred to above presents fairly, in all material respects, the aggregate cash and unencumbered cash balance of the Library, as of December 31, 2015, and the aggregate receipts and expenditures for the year then ended in accordance with the financial reporting provisions of the *Kansas Municipal Audit and Accounting Guide* as described in Note 1.

Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the fund summary statement of receipts, expenditures, and unencumbered cash balances (basic financial statement) as a whole. The individual fund schedules of regulatory basis receipts and expenditures – actual and budget, and regulatory basis receipts and expenditures - actual (Schedules 1-1 and 1-2 as listed in the table of contents) are presented for analysis and are not a required part of the basic financial statement, however are required to be presented under the provisions of the *Kansas Municipal Audit and Accounting Guide*. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statement. The information has been subjected to the auditing procedures applied in the audit of the basic financial statement and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statement or to the basic financial statement itself, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statement as a whole, on the basis of accounting described in Note 1.

The 2014 Actual column presented in the individual fund schedules of regulatory basis receipts and expenditures – actual and budget and - actual (Schedules 1-1 and 1-2 as listed in the table of contents) is also presented for comparative analysis and is not a required part of the 2014 basic financial statement upon which we rendered an unmodified opinion on July 31, 2015. The 2014 basic financial statement and our accompanying report are not presented herein, but are available in electronic form from the web site of the Kansas Department of Administration at the following link: <http://www.da.ks.gov/ar/muniserv/>. Such 2014 comparative information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the 2014 basic financial statement. The 2014 comparative information was subjected to the auditing procedures applied in the audit of the 2014 basic financial statement and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the 2014 basic financial statement itself, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the 2014 comparative information is fairly stated in all material respects in relation to the 2014 basic financial statement as a whole on the basis of accounting described in Note 1.

Pottberg, Gassman & Hoffman, Chartered

Pottberg, Gassman & Hoffman, Chartered
Abilene, Kansas
July 27, 2016

ABILENE FREE PUBLIC LIBRARY

SUMMARY STATEMENT OF RECEIPTS, EXPENDITURES AND UNENCUMBERED CASH REGULATORY BASIS FOR THE YEAR ENDED, DECEMBER 31, 2015

Funds	Beginning Unencumbered Cash Balance	Prior Year Canceled Encumbrances	Receipts	Expenditures	Ending Unencumbered Cash Balance	Add Outstanding Encumbrances and Accounts Payable	Ending Cash Balance
Governmental Type Fund:							
General Fund	\$ 1,584	-	395,125	370,757	25,952	1,664	27,616
Special Purpose Fund:							
MTG Fund	53,916	-	19,208	37,285	35,839	175	36,014
Capital Improvement Fund	2,500	-	1,000	-	3,500	-	3,500
Total Reporting Entity	\$ 58,000	-	415,333	408,042	65,291	1,839	67,130
Composition of Cash:							
				Checking Account			\$ 18,559
				Money Market Accounts			9,160
				Certificates of Deposit			39,311
				Petty Cash			100
				Total Reporting Entity			\$ 67,130

The notes to the financial statement are an integral part of this statement.

ABILENE FREE PUBLIC LIBRARY

NOTES TO FINANCIAL STATEMENT
DECEMBER 31, 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A summary of the significant accounting policies applied in the preparation of the accompanying financial statement follows:

A. Municipal Financial Reporting Entity

The Abilene Free Public Library (Library), a municipality, was organized under the provisions of K.S.A. 12-1219. A seven-member board of trustees appointed by the City Manager, with the approval of the commission of the City of Abilene, Kansas (City), governs the Library. The Library was organized to provide services for the public as outlined by its charter. The basic operations of the Library are financed by tax revenue allocated from the City.

The accounting and reporting policies of the Library relating to the funds and account groups included in the accompanying financial statement conform to the regulatory basis of accounting to show compliance with the cash basis laws of the State of Kansas. The more significant accounting policies of the Library are described below.

B. Fund Accounting

A fund is defined as an independent fiscal and accounting entity with a self-balancing set of accounts recording cash and other financial resources, together with all related liabilities and residual equities or balances, and changes therein, which are segregated for the purpose of carrying on specific regulations, restrictions, or limitations.

The following types of funds comprise the financial activities of the Library for the year of 2015:

General Fund – is the chief operating fund of the Library. This fund is used to account for all financial resources not accounted for in other funds.

Special Purpose Fund – used to account for the proceeds of specific tax levies and other specific regulatory receipt sources (other than Capital Project and tax levies for long-term debt) that are intended for specified purposes.

C. Regulatory Basis of Accounting

Regulatory Basis of Accounting and Departure from Accounting Principles Generally Accepted in the United States of America. The Kansas Municipal Audit and Accounting Guide (KMAAG) regulatory basis of accounting involves the recognition of cash, cash equivalents, marketable investments, and certain accounts payable and encumbrance obligations to arrive at a net unencumbered cash and investments balance on a regulatory basis for each fund, and the reporting of changes in unencumbered cash and investments of a fund resulting from the difference in regulatory basis receipts and regulatory basis expenditures for the fiscal year. All recognized assets and liabilities are measured and reported at cost, unless they have been permanently impaired and have no future cash value or represent no future obligation against cash. The KMAAG regulatory basis does not recognize capital assets, long-term debt, accrued receivables and payables, or any other assets, liabilities or deferred inflows or outflows, other than those mentioned above.

The Library has approved a resolution that is in compliance with K.S.A. 75-1120a(c), waiving the requirement for application of generally accepted accounting principles and allowing the Library to use the regulatory basis of accounting.

ABILENE FREE PUBLIC LIBRARY

NOTES TO FINANCIAL STATEMENT **DECEMBER 31, 2015**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (CONTINUED)

D. Budgetary Control

The Library Charter establishes the fiscal year as the twelve-month period beginning January 1. The Library board prepares a budget of estimated cash receipts and expenditures for the ensuing fiscal year. The annual operating budget is adopted, but is for internal management use only. State of Kansas Statutes do not require the Library to prepare or submit a legal budget.

E. Date of Management's Review

The Library's management has evaluated subsequent events through July 27, 2016, the date the financial statement was available to be issued.

NOTE 2 - DEPOSITS AND INVESTMENTS

K.S.A. 9-1401 establishes the depositories which may be used by the Library. The statute requires banks eligible to hold the Library's funds have a main or branch bank in the county in which the Library is located, or in an adjoining county if such institution has been designated as an official depository, and the banks provide an acceptable rate of return on funds. In addition, K.S.A. 9-1402 requires the banks to pledge securities for deposits in excess of FDIC coverage. The Library has no other policies that would further limit interest rate risk.

K.S.A. 12-1675 limits the Library's investment of idle funds to time deposits, open accounts, and certificates of deposit with allowable financial institutions; U.S. government securities; temporary notes; no-fund warrants; repurchase agreements; and the Kansas Municipal Investment Pool. The Library has no investment policy that would further limit its investment choices.

Concentration of credit risk. State statutes place no limit on the amount the Library may invest in any one issuer as long as the investments are adequately secured under K.S.A. 9-1402 and 9-1405.

Custodial credit risk – deposits. Custodial credit risk is the risk that in the event of a bank failure, the Library's deposits may not be returned to it. State statutes require the Library's deposits in financial institutions to be entirely covered by federal depository insurance or by collateral held under a joint custody receipt issued by a bank within the State of Kansas, the Federal Reserve Bank of Kansas City, or the Federal Home Loan Bank of Topeka, except during designated "peak periods" when required coverage is 50%. The Library has no designated "peak periods". All deposits were legally secured at December 31, 2015.

At December 31, 2015, the Library's carrying amount of deposits was \$67,030 and the bank balance was \$67,238. The bank balance was held by two banks and the entire bank balance was covered by federal depository insurance.

NOTE 3 - RISK MANAGEMENT

The Library is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. Insurance premiums are paid for property and liability insurance coverage. There have not been any settled claims resulting from these risks in any of the past three fiscal years.

ABILENE FREE PUBLIC LIBRARY

NOTES TO FINANCIAL STATEMENT **DECEMBER 31, 2015**

NOTE 4 - DEFINED BENEFIT PENSION PLAN

Plan description. The Library participates in the Kansas Public Employees Retirement System (KPERS) a cost-sharing, multiple-employer defined benefit pension plan as provided by K.S.A. 74-4901, et. seq. Kansas law establishes and amends benefit provisions. KPERS issues a publicly available financial report that includes financial statements and required supplementary information. KPERS' financial statements are included in its Comprehensive Annual Financial Report which can be found on the KPERS website at www.kpers.org or by writing to KPERS (611 South Kansas, Suite 100, Topeka, KS 66603) or by calling 1-888-275-5737.

Contributions. K.S.A. 74-419 and K.S.A. 74-49,210 establish the KPERS member-employee contribution rates. KPERS has multiple benefit structures and contribution rates depending on whether the employee is a KPERS 1, KPERS 2, or KPERS 3 member. KPERS 1 members are active and contributing members hired before July 1, 2009. KPERS 2 members were first employed in a covered position on or after July 1, 2009, and KPERS 3 members were first employed in a covered position on or after January 1, 2015. Effective January 1, 2015, Kansas law established the KPERS member-employee contribution rate at 6% of covered salary for KPERS 1, KPERS 2, and KPERS 3 members. Member contributions are withheld by their employer and paid to KPERS according to the provisions of Section 414(h) of the Internal Revenue Code.

State law provides that the employer contribution rates for KPERS 1, KPERS 2, and KPERS 3 be determined based on the results of each annual actuarial valuation. Kansas law sets a limitation on annual increases in the employer contribution rates. The actuarially determined employer contribution rate (not including the 0.85% contribution rate for Death and Disability Program) and the statutory contribution rate was 9.48% for the fiscal year ended December 31, 2015. Contributions to the pension plan from the Library were \$16,515 for the year ended December 31, 2015.

Net Pension Liability. At December 31, 2015, the Library's proportionate share of the collective net pension liability reported by KPERS was \$121,759. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2014, which was rolled forward to June 30, 2015. The Library's proportion of the net pension liability was based on the ratio of the Library's contributions to KPERS, relative to the total employer and non-employer contributions to the Local subgroup within KPERS. Since the KMAAG regulatory basis of accounting does not recognize long-term debt, this liability is not reported on the financial statement.

The complete actuarial valuation report including all actuarial assumptions and methods, and the report on the allocation of the KPERS collective net pension liability to all participating employers are publicly available on the website at www.kpers.org or can be obtained as described above.

NOTE 5 - COMPENSATED ABSENCES

The Library's policy allows full time employees to accumulate sick pay one day a month cumulative to 60 days, if not used during the current year. Part-time employees (work 20 hours a week) may receive sick leave on a pro-rated pay scale based on their employment contract. As of July 1, 2013, vacations are earned after 6 months of service (12 months prior to July 1, 2013). Vacations earned are taken within the following 12 months and cannot be carried over from one year to the next. If an employee leaves the Library, he or she is not entitled to a payment of vacation leave or sick pay, therefore an amount is not recorded in the financial statement.

ABILENE FREE PUBLIC LIBRARY

NOTES TO FINANCIAL STATEMENT **DECEMBER 31, 2015**

NOTE 6 – RELATED PARTY TRANSACTIONS

The Library is a related municipal entity of the City of Abilene, Kansas. Rent is not calculated as an arm's length transaction since the City provides the Library facility rent-free. The lease agreement requires the Library to cover the operating expenses such as utilities, content insurance, routine maintenance including but not limited to general cleaning, lighting replacements, and minor electrical and plumbing repair, non-routine maintenance up to \$1,000, and landscaping. The City insures the building and surrounding grounds, pays for non-routine maintenance over \$1,000 and provides ground maintenance and snow removal.

NOTE 7 – OTHER LONG-TERM OBLIGATIONS FROM OPERATIONS

Other Post Employment Benefits

As provided by K.S.A. 12-5040, the Library allows retirees to participate in the group health insurance plan. The Library pays 50% of the premium until age 62 to retirees with 10 or more years of service and each retiree is responsible for the balance. As of December 31, 2015, the Library does not have any employees participating in this plan.

Under the Consolidated Omnibus Budget Reconciliations Act (COBRA), the Library makes health care benefits available to eligible former employees and eligible dependents. Certain requirements are outlined by the federal government for this coverage. The premium is paid in full by the insured. There is no cost to the Library under this program.

**REGULATORY REQUIRED
SUPPLEMENTARY INFORMATION**

ABILENE FREE PUBLIC LIBRARY
GOVERNMENTAL TYPE FUND
SCHEDULE OF RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET
REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2015
(WITH COMPARATIVE ACTUAL TOTALS FOR THE PRIOR YEAR ENDED DECEMBER 31, 2014)

	2014	2015		Variance
				Over
<u>GENERAL FUND</u>	<u>Actual</u>	<u>Actual</u>	<u>Budget</u>	<u>(Under)</u>
Receipts:				
Appropriations - City of Abilene, Kansas	\$ 350,992	\$ 363,667	\$ 369,473	\$ (5,806)
Interest Income	129	84	100	(16)
Fines and Fees	6,893	5,941	3,510	2,431
Miscellaneous Income	2,393	2,105	800	1,305
Programs and Promotions	379	375	-	375
Grants	3,881	4,398	9,600	(5,202)
Reimbursed Expenses	-	18,555	-	18,555
Total Receipts	<u>364,667</u>	<u>395,125</u>	<u>383,483</u>	<u>\$ 11,642</u>
Expenditures:				
Salaries and Wages	192,659	200,092	276,473	(76,381)
Payroll Taxes and Benefits	60,252	64,455	-	64,455
Books and Periodicals	28,240	24,239	29,510	(5,271)
Professional Services	4,550	4,650	4,750	(100)
Office Expenses and Supplies	2,382	3,264	2,750	514
Insurance	2,523	2,342	2,500	(158)
Utilities and Telephone	36,211	32,923	31,500	1,423
Buildings and Grounds	28,136	25,128	24,000	1,128
Conferences and Travel	1,484	974	1,400	(426)
Postage and Freight	1,431	2,055	2,700	(645)
Miscellaneous Expense	883	1,751	1,300	451
Program Expenses	4,951	5,097	3,100	1,997
Capital Improvements	2,874	2,787	3,500	(713)
Transfer to Capital Improvement Fund	-	1,000	-	1,000
Total Expenditures	<u>366,576</u>	<u>370,757</u>	<u>383,483</u>	<u>(12,726)</u>
Receipts Over (Under) Expenditures	(1,909)	24,368		
Unencumbered Cash, January 1	<u>3,493</u>	<u>1,584</u>		
Unencumbered Cash, December 31	<u>\$ 1,584</u>	<u>\$ 25,952</u>		

ABILENE FREE PUBLIC LIBRARY
SPECIAL PURPOSE FUNDS
SCHEDULE OF RECEIPTS AND EXPENDITURES - ACTUAL
REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2015
(WITH COMPARATIVE ACTUAL TOTALS FOR THE PRIOR YEAR ENDED DECEMBER 31, 2014)

<u>MTG FUND</u>	<u>2014</u>	<u>2015</u>
Receipts:		
Memorials and Gifts	\$ 14,907	\$ 14,481
Grant Income	431	4,200
Investment Income	357	273
Miscellaneous Income	295	254
Total Receipts	<u>15,990</u>	<u>19,208</u>
Expenditures:		
Books and Periodicals	2,364	1,802
United Way Grant Expenditures	-	3,912
Miscellaneous Expense	-	251
Capital Improvement	10,465	12,765
Reimbursements	-	18,555
Total Expenditures	<u>12,829</u>	<u>37,285</u>
Receipts Over (Under) Expenditures	3,161	(18,077)
Unencumbered Cash, January 1	<u>50,755</u>	<u>53,916</u>
Unencumbered Cash, December 31	<u>\$ 53,916</u>	<u>\$ 35,839</u>
<u>CAPITAL IMPROVEMENT FUND</u>		
Receipts:		
Transfer from General	\$ -	\$ 1,000
Expenditures:	<u>-</u>	<u>-</u>
Receipts Over (Under) Expenditures	-	1,000
Unencumbered Cash, January 1	<u>2,500</u>	<u>2,500</u>
Unencumbered Cash, December 31	<u>\$ 2,500</u>	<u>\$ 3,500</u>